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PROGRAMME OF WORK OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING: REVIEW OF IMPORTANT CURRENT DEVELOPMENTS AT THE GLOBAL AND NATIONAL LEVELS IN THE FIELD OF ACCOUNTING AND REPORTING BY TRANSNATIONAL CORPORATIONS, ON THE BASIS OF DOCUMENTATION RECEIVED BY THE UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS FROM (i) INDIVIDUAL MEMBER STATES; (ii) INTERGOVERNMENTAL ORGANIZATIONS; AND (iii) NON-GOVERNMENTAL ORGANIZATIONS

Review of important current developments at the national level in the field of accounting and reporting by transnational corporations

Report of the Secretary-General

SUMMARY

The present report reviews the new legal requirements and/or standards that have recently been adopted in various countries, as well as those standards under consideration. The review is based entirely on country submissions in response to a questionnaire circulated to all member Governments. Forty-seven countries replied, and more are expected to make oral reports during the tenth session which will be included in International Accounting and Reporting Issues: 1992 Review. Other information on national standards relating to the three issues identified by the Group for discussion at the tenth session - accounting for environmental protection measures, accounting and reporting during and after the transition from state to private enterprises and accounting education - has been included in the respective technical reports.

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I. NEW LEGAL REQUIREMENTS AND/OR STANDARDS GOVERNING CORPORATE ACCOUNTING AT THE NATIONAL LEVEL

1. The present report was prepared on the basis of responses to a note verbale and questionnaire circulated to all member Governments. A total of 46 replies were received; 39 are reproduced here; 4 were not usable; 3 will be submitted in an addendum to the present report. The United Nations Centre on Transnational Corporations acknowledges, with appreciation, the cooperation of the respondents in providing the information requested. The questionnaire facilitated replies and improved the quality of information and the response rate compared with previous years. There still appears to be a problem in the prompt transmission of the questionnaire from the receiving government departments to the department in charge of accounting matters. The Centre invested considerable resources in follow-up letters and telefaxes and often discovered that the appropriate authorities had not yet received the questionnaire. The experts may wish to take up this matter with their respective Governments as appropriate in order to improve the transmission of the questionnaire to the appropriate parties. Much interesting information was submitted not only on current developments but also for the technical reports.

II. CURRENT DEVELOPMENTS IN ACCOUNTING AND REPORTING

Austria

2. In June 1991 the Rechnungslegungsgesetz (law regulating financial statements; auditing and publishing of financial statements) was passed by the Austrian Parliament. The law is in most parts in conformity with the Fourth, Seventh and Eighth EC Directives on Company Law and the German Bilanzrichtliniengesetz. The law must be applied to the financial statements of fiscal years commencing after 31 December 1991 but may be applied before this date. The regulations for consolidated statements, however, will become effective as of 1994.

3. The Austrian Institute of Certified Public Accountants has issued the following guidelines:

(a) For issues dealing with problems arising out of the introduction of the Rechnungslegungsgesetz (RLG):

(i) Fundamental accounting assumptions: consistency (published March 1991);

(ii) Presentation and disclosure of equity for a limited liability company (GmbH) (published September 1990);

(iii) Notes to the accounts for small companies (published July 1991);

(b) For implementation of international auditing guidelines not yet dealt with at length in Austria's Auditing Standard No. 73:

(i) Guidelines on attendance of stocktaking (published September 1991);

(ii) Confirmation of accounts receivable (published February 1991);

(iii) Audit sampling;

(iv) Accounting systems and internal control (draft);

(c) For other issues:

(i) Special problems when auditing the financial statements of banks (two publications);

(ii) Questions in preparing and auditing the financial statements of investment companies (draft).

4. The Austrian Chamber of Accountants has issued the following guidelines:

(a) Control of the quality of audit work (published April 1990);

(b) Adjustment of guidelines to the provisions of the Rechnungslegungsgesetz.

Bahrain

5. No new legal requirements were issued in 1990 or 1991. There are no locally prescribed standards for accounting and financial reporting in Bahrain. International accounting standards are generally referred to by the accounting profession, but this is not confirmed in law.

Brazil

6. The basic accounting and reporting requirements applicable to Brazilian corporations are provided for by the corporate law of 1976. Publicly held companies are subject to additional reporting requirements determined by the Brazilian Securities Commission (Comissao de Valores Mobiliários (CVM)). Regulated industries (utilities, banking and financial institutions, insurance and pension funds, among others) are subject to accounting and reporting requirements provided for in specific legislation. During 1990 and 1991, the major accounting and reporting requirements affecting Brazilian corporations, issued by CVM, were:

(a) Improvements in the method of preparing price-level financial statements, with basically more accuracy in the method and introduction of present value and a new index;

(b) Guidance to publicly held companies and independent auditors on relevant accounting and reporting issues to be observed in the 31 December 1990 year-end closing;

(c) Accounting and reporting procedures concerning investment companies, investment funds and stockbrokers of foreign investors.

7. CVM is working on a bill for the purpose of altering and restructuring corporate law compatible with foreign accounting and reporting regulations. According to this bill the big non-public entities and multinational corporations, regardless of their juridical status, are required to follow the same rules applicable to publicly held companies.

8. The following developments are noted:

(a) General auditing rules were issued to be applied by independent auditors;

(b) CVM is working on a new rule aimed at defining the generally accepted accounting principles (GAAP) applicable in Brazil;

(c) A new law was issued to account for the effects of inflation on financial statements, based on the difference between the previously used index and the new index which is more representative of inflation.

9. There is a proposal to create an institution to integrate accounting regulations and procedures. This body will have representatives from all segments of society besides the current regulators: CVM, the Central Bank of Brazil (BACEN), the Federal Council of Accounting (CFC) and the Brazilian Institute of Accountants (IBRACON). There is at present an informal agreement among the current regulators to unify accounting standards and reporting.

Bulgaria

10. On 3 January 1991 the Accounting Law was passed by the Bulgarian Parliament. On 20 February 1991 the Government approved the National Accounting Plan. The Accounting Law and the National Accounting Plan are in compliance with international standards and EC Directives. The new legislation in the field of accountancy has been effective since 1 April 1991. The fundamental principles of the continental accounting system have been used and have been adopted pursuant to the realities in the country.

11. Along with the Accounting Law the Government will approve national accounting standards that comply with international accounting standards. These national accounting standards were being developed and slated for adoption by the end of 1991.

Canada

12. New legal requirements of 1990 and 1991 concerned:

(a) Capital assets (CICA Handbook, section 3060, issued October 1990). This new standard requires:

(i) Write-down of capital assets when net carrying amount exceeds net recoverable amount;

(ii) Recognition of the liability when net carrying amount exceeds net recoverable amount;

(iii) Amortization of all capital assets (that is, both tangible and intangible) except land, in a rational and systematic manner;

(b) Subsidiaries (CICA Handbook, section 1590, issued August 1991). According to the major features of the new section:

(i) A subsidiary is defined as "an enterprise controlled by another enterprise (the parent) that has the right and ability to obtain future economic benefits from the resources of the [subsidiary] and is exposed to the related risks";

(ii) Control is defined as "the continuing power to determine the strategic operating, investing and financing policies [of an enterprise] without the cooperation of others";

(iii) All enterprises that meet the new definition of a subsidiary must be consolidated. (Previously, companies were permitted to exclude a subsidiary from consolidation if control was temporary because disposal of the subsidiary was imminent or if activities of the subsidiary [that is, banks and life insurance companies] were so dissimilar to those of the parent that consolidation would provide a form of presentation that might be difficult to interpret. These are no longer acceptable reasons for not consolidating.);

(c) Accounting changes (CICA Handbook, section 1506, revised March 1991). This standard has been revised to clarify that a change in the method of amortization of a capital asset that results from changed circumstances, experience or new information will be treated as a change in accounting estimate. When the change in the amortization method is not a result of changed circumstances, experience or new information, the change will be treated as a change in accounting policy;

(d) Financial statement concepts (CICA Handbook, section 1000, revised March 1991). This section has been revised to include material dealing with the unique characteristics of non-profit organizations;

(e) Statement of changes in financial position for financial institutions (accounting guideline, issued June 1991).

13. The Canadian Institute of Certified Accountants (CICA) Accounting Standards Committee has issued exposure drafts on the following subjects for comment by interested parties:

(a) Proposal to remove CICA Handbook section 4510, Reporting the effects of changing prices (January 1991);

(b) Financial instruments (September 1991).

14. Other issues currently being considered are:

(a) Interest on monetary assets and liabilities;

(b) Comprehensive revaluation of assets and liabilities;

(c) Contingencies and measurement uncertainties;

(d) Related-party transactions;

(e) Foreign currency translation (certain aspects);

(f) Investments in joint ventures (review of the existing standard);

(g) Report on management's responsibilities (a proposed accounting guideline).

15. Nationally, the Board of Governors of the Canadian Institute of Certified Accountants has approved a restructuring of the accounting standards-setting function. The new structure depends largely on a task force approach to developing standards, with a 13-member Accounting Standards Board (consisting of users, preparers and auditors of financial information) that will focus on the approval of principles and on the policy for new projects. The former 22-member Accounting Standards Committee was responsible for the development of standards as well as for the approval of such standards. The new structure became effective 1 October 1991. A similar (but not identical) approach has been adopted with respect to the auditing standards-setting function.

Chile

16. In 1990 and 1991, the Superintendent for Securities and Insurance issued standards for the preparation and presentation of the financial statements of corporations, mutual funds and their managements, foreign capital investment funds and their managements, stock exchanges, and stockbrokers and dealers. Standards were also set by the Chilean Association of Accountants A.G. Such standards are endorsed by the Office of the Superintendent, provided that they do not differ from the Office's own standards. Specifically, the following circulars were issued:

(a) For corporations:

(i) Circular No. 939 (16 April 1990) provides specific instructions for leasing companies;

(ii) Circular letter No. 4306 (27 September 1990) clarifies situation in respect of taxes on income arising in fiscal year 1989;

(iii) Circular No. 980 (24 December 1990) provides instructions in respect of the internal audit report;

(iv) Circular No. 981 (28 December 1990) sets standards with respect to deferred expenses and supersedes circular No. 077 of 1981;

(v) Circular No. 986 (14 January 1991) provides instructions on income tax accounting;

(b) For mutual funds and their managements:

Circular No. 978 (4 December 1990) authorizes United States dollar investments and sets maximum limits, and provides instructions, on their valuation. Circular No. 978 amends Circular No. 781 of 1988;

(c) For foreign capital investment funds and their managements:

(i) Circular No. 923 (23 January 1990) establishes the format for the presentation of financial statements of foreign capital investment funds;

(ii) Circular No. 929 (2 February 1990) sets rules for the valuation of and accounting for investments in stocks and debt certificates by foreign capital investment funds and for foreign exchange obligations and insurance transactions. This circular was amended by Circular No. 958 of 20 July 1990;

(d) For stock exchanges, stockbrokers and securities dealers:

(i) Circular No. 975 (22 November 1990) lays down instructions on accounting for futures contracts;

(ii) Circular No. 986 (14 January 1991) provides instructions on income tax accounting and supersedes Circular No. 956 of 1990.

17. The following technical standards were laid down by the Chilean Association of Accountants A.G.:

(a) Technical Bulletin No. 41 (13 November 1990) is on income tax accounting;

(b) Technical Bulletin No. 42 (12 March 1991) deals with corporate investment accounting and investment accounting in respect of financial instruments.

18. The Office of the Superintendent carried out studies on the presentation of financial statements and issued the following circulars:

(a) Circular No. 2.1 sets standards for the form and content of the financial statements of investment funds (Act 18.815), whether they deal in bearer securities, risk capital or immovables;

(b) Circular No. 2.2 sets standards for the valuation of the investments of investment funds (Act 18.815);

(c) Circular No. 2.3 sets standards for the valuation of futures contracts.

19. Current corporate accounting practices conform to the generally accepted principles established by the Chilean Association of Accountants A.G. and to the standards set by the Office of the Superintendent. At the national level, the development of Chile's economy, which is the result of a series of measures implemented over the years, has had a great impact on the stock market in Chile and has encouraged new bond issues and investors, as well as the creation of new instruments. The bodies mentioned above have thus been adapting their standards to the changing market.

China

20. The following new legal requirements were issued by the Ministry of Finance during 1990 and 1991:

(a) Accounting regulations for the enterprise contracting abroad;

(b) Accounting treatments for leasing of State-owned enterprises.

21. The following were to be issued by the Ministry of Finance at the end of 1991:

(a) Accounting regulations for enterprises with foreign investment, which will replace accounting regulations for the joint ventures using Chinese and foreign investment promulgated by the Ministry of Finance in 1985. The scope of implementation will be extended from equity joint ventures with foreign investment to all types of enterprises with foreign investment;

(b) Accounting regulations for securities companies.

22. Accounting issues for group companies, for example, the consolidated financial statement, are among the accounting and reporting issues currently being considered.

Colombia

23. On 7 July 1991, a new Constitution was promulgated in Colombia. In Article 354 the Constitution established the office of auditor-general and empowered the auditor-general, inter alia, "to determine the accounting standards which shall apply in the country, in accordance with national laws". Prior to the promulgation of the new Constitution, accounting regulations had been established by each of the State officials responsible for overseeing the various governmental bodies. For example, accounting methods had been laid down, inter alia, by the controller-general of the Republic for the national administration and its decentralized entities (article 60 of the Constitution); by the President of the Republic, on behalf of the Government, for business accounting (article 120, paragraph 3, of the Constitution; commercial code); by the National Administrative Department of Cooperatives for cooperatives; and by the Office of the Superintendent of Banks for all types of financial institutions.

24. At the beginning of 1991, the Office of the Controller-General of the Republic formed a special commission to establish mechanisms to enable government accounting to serve as an instrument of management and control. Such mechanisms will ensure uniformity in accounts, and though those mechanisms accounts will be updated in accordance with modern accounting and auditing principles so that records will be consistent, up to date and reliable and so that the financial statements of all State bodies can be consolidated. Those mechanisms will promote the establishment of accounting offices for the timely recording of economic or financial transactions. In addition, the special commission will design a single set of accounting regulations; determine requirements in the area of technical innovation, modernization and training; and establish mechanisms for assigning responsibility for the preparation and consolidation of financial statements. Such measures will be backed up by arrangements that provide penalties for non-compliance with the accounting regulations once established. Systematized accounting programmes and applications will, in turn, be designed and implemented.

25. Although the controller-general's power to prescribe accounting methods was transferred to an auditor-general under the new Constitution, work in progress on existing plans will continue in the expectation that results will be transferred to the new official responsible for accounting regulations. This will avoid any disruption in an important process, which is still uncertain, particularly since no one has yet been appointed to the new office, nor have the specific duties and positions of the new official within the executive branch been defined.

26. The bodies that were empowered to lay down accounting regulations under the old legislation will continue to apply the standards currently in force during the transition to the new system.

Czechoslovakia

Developments in 1990

27. The following new legal requirements and/or standards governing corporate accounting and reporting were enacted during 1990 and 1991:

(a) Principles of accounting in the private companies (No. V/2-4 900/90). The main requirements of this regulation were described in E/C.10/AC.3/1991/3. The regulation allows the use of single-entry or double-entry bookkeeping depending on the size of the company. The regulation has been modified for the privatization process to record formation expenses and intangible assets;

(b) Changes and complements in accounting standards for companies (No. V/1-29 200/90). This regulation introduces new concepts in financial management and establishes rules and accounts for equity and intangible assets including goodwill;

(c) Accounting standards for banks and new statements for these organizations (No. V/2-29 490/90). This regulation follows the rules of the EC Directive for banks as well as certain French practices. It becomes effective in 1992. However, a new banking law will be introduced in 1992;

(d) Accounting standard for political parties, movements, civic associations and other non-profit organizations (No. V/2-24 500/90);

(e) Decree on depreciation of the investment property (No. 586/1990). This regulation introduces new rules for the depreciation of fixed assets and shortens their useful lives. The rules for depreciation will be included in a new corporate tax law.

New developments

28. There is also a new draft law on accounting in accordance with the Fourth and Seventh EC Directives on company law. The law includes general regulations for accounting units, accounting systems, documents, entries, ledgers, the balance sheet, methods of valuations, inventories, assets, liabilities, and filing and keeping written information. It should be noted that the law defines the term accounting entity or unit, establishes the calendar year as the period for financial statements and includes the accounting concepts of prudence and going concern, as well as establishes an approach for the valuation of property. Companies will have to make consolidated annual reports and publish those reports depending on their size.

29. There will be separate auditing laws for the Czech Republic and the Slovak Republic. These laws will be in force in 1992. Auditors will be independent persons and listed in the register of the chambers of auditors, which will be independent professional bodies. These laws have been prepared according to the Eighth EC Directive on Company Law.

Cyprus

30. In 1990 and 1991, there were no new legal requirements governing corporate accounting and reporting in Cyprus.

31. In accordance with a directive issued by the Institute of Certified Public Accountants of Cyprus, members of the Institute should have adopted the new international accounting standards operative on or after 1 January 1990 and 1991, namely:

IAS 27	Consolidated financial statements and accounting for investments in subsidiaries (1 January 1990)
IAS 28	Accounting for investments in associates (1 January 1990)
IAS 29	Financial reporting in hyperinflationary economies (1 January 1990)
IAS 30	Disclosures in the financial statements of banks and similar financial institutions (1 January 1991)

32. Accounting and reporting in Cyprus is governed by the Companies Law. In addition, the Institute of Certified Public Accountants of Cyprus has adopted the International Accounting Standards in their entirety. Changes in the Companies Law are presently being considered by an ad hoc committee set up by the Government. One of the proposals concerns the abolition of the exempt private company, which has no legal obligation to submit annual accounts and relevant reports to the Registrar of Companies.

Denmark

33. In December 1988, an amendment bill to the Annual Accounts Act and the several Companies Acts was passed in Parliament. It was enacted on 21 December 1988 (Act No. 815/88). Most provisions pertained to the regulations of company auditors, the amendment being partly an implementation of the eighth EC Directive on Company Law, partly a restructuring of existing provisions transferred to the Annual Accounts Act from the several Companies Acts.

34. One regulation on financial statements was included, however, namely, a general requirement (in the provisions pertaining to the Directors Report) for information on any material uncertainties and unusual circumstances (Annual Accounts Act, section 56, subsection 1, second phrase).

35. This Act implements the seventh EC Directive on Company Law. In conjunction with Notice No. 533 of 13 June 1990 on the Layout of Annual Accounts and Preparation of Consolidated Accounts issued by the Danish Commerce and Companies Agency, a full implementation of the Directive has been made. The Acts and the Notice will take effect for statements prepared for the financial years commencing as from 1 April 1991.

36. No consolidation of horizontal groups is required. All obligatory and most optional consolidation indications in article 1 of the Directive are included in the Act. Only the indication in article 1, subparagraph 1 (d) (aa), has not been included. It is required, however, in all circumstances that a share be owned or (as in article 1, paragraph 2) be retained as security by the parent company except for those circumstances given in subparagraph 1 (a), ownership is not a condition.

37. The exceptions in articles 7 and 8 of the Directive have been implemented, but not article 11 concerning parent companies themselves being subsidiaries of a greater group outside the European Community.

38. The exceptions due to size in article 6 have been made use of partly, that is, only for the so-called small undertakings (groups), according to article 11 of the Fourth EC Directive on Company Law.

39. Proportional consolidation of holdings in joint ventures is allowed, whatever the legal form of the joint venture.

40. Equity-method evaluation is allowed for the individual accounts with regard to holdings in subsidiaries as well as associated undertakings.

41. In August 1990, the Danish Commerce and Companies Agency issued a Notice on the Bookkeeping, Accounting and Storage of Accounting Material for Commercial Undertakings (No. 598, 26 August 1990), which provides for bookkeeping and storage by electronic data processing. For example, United Nations Rules for Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT) methods for electronic transfer of accounting data are now allowed. The Notice took effect as of 1 September 1990.

42. In 1988-1990 the Association of State Authorized Public Accountants issued the following guidelines concerning the Preface to Accounting Statements:

(a) Statement No. 1, Financial statements, object and substance;

(b) Statement No. 2, Information on applied accounting policies;

(c) Statement No. 3, Changes in accounting policies and in accounting estimates;

(d) Statement No. 4, Contingencies and events occurring after debt-balance-sheet day;

(e) Statement No. 5, Extraordinary items.

43. The Association of State Authorized Public Accountants has issued two exposure drafts:

(a) Statement (ED) No. 6 on Construction Contract;

(b) Statement (ED) No. 7 on Research and Development Costs.

44. The Danish Commerce and Companies Agency is working on a special guideline on consolidated accounts in connection with the newly issued Notice on the Layout of Annual Accounts and Preparation of Consolidated Accounts (No. 533 of 13 June 1990). Also, work on a special guideline by the Agency in connection with Notice No. 598/90 on bookkeeping is in progress.

Ecuador

45. Developments in 1989-1990 consisted of:

(a) Revaluation of fixed assets, through

(i) Resolution SC-89-1-01-3-00018 of 20 December 1989, containing the regulations concerning fixed assets;

(ii) Resolution SC-89-1-01-3-00019 of 20 December 1989, containing the standards to be applied by enterprises within the jurisdiction of the Office of Company Supervision of Ecuador when revaluing their fixed assets, capitalizing the gains and deferring the losses arising from differences in exchange rates;

(b) The Internal Tax Regime Act, promulgated in RO No. 341 of 22 December 1989, and Ministry of Finance regulations;

(c) 1989 and 1990 instructions for the presentation of financial statements to the Office of Company Supervision;

(d) Standards and regulations relating to external auditing of companies; minimum requirements for the contents of reports of external auditors, vigilance officers and administrators; and regulations concerning accounting principles.

46. The following were issued in 1991:

(a) Resolution SC-91-1-5-3-009 of 9 August 1991, containing regulations concerning financial accounting principles;

(b) Draft regulations concerning the integral monetary correction system provided for in article 22 of the Internal Tax Regime Act, for which the Ministry of Finance is responsible;

(c) A draft executive decree on the revaluation of fixed assets, for which the Office of Company Supervision is responsible.

Egypt

47. In 1990, an amendment of the Executive Regulation for Law 159, of 1981, was made. This covers the consolidation of financial statements of public sector companies and is in line with the new concept of dividing the business sector into harmonized departments.

48. On the other hand, in May 1990, the Egyptian Committee of Auditors issued auditor recommendations towards the accounting treatment of loans in the financial statements of banks.

49. The Egyptian Institute for Accountants and Auditors is currently considering the legalization of the International Accounting Standards, to be applied in Egypt. This would require some minor amendments to those Standards, so that they could suit the Egyptian environment and economic situation.

50. All public sector companies in Egypt apply the Egyptian Accounting Standards system. The Central Authority for Accountancy is currently working on upgrading that system to make it comply with the International Accounting Standards.

Finland

51. There is a new legal requirement as of 1 January 1990 concerning accounting systems in a computerized environment and the utilization of microfilm techniques.

52. The Accounting Board has issued statements, for example, concerning:

(a) Financial statements of personnel funds (a new type of entity as determined in specific legislation);

(b) Accounting and presentation of direct taxes in the so-called imputation system concerning the tax treatment of dividends;

(c) Presentation of fringe benefits (taxable value) in the financial statements;

(d) Accounting questions related to the new legislation as of 1 October 1991 concerning indirect taxation.

53. Proposals concerning the financial statements in line with the Fourth and Seventh Directives of the Council of European Communities, were published by a government committee in December 1990. Currently an ad hoc working group set up by the Ministry of Trade and Industry is considering the final changes to be proposed to the financial accounting legislation. A proposal to change the legislation is expected to be given to the Parliament in spring 1992.

54. The Finnish Accounting Board is currently preparing a statement concerning the accounting treatment of new financial instruments.

55. The treaty between the European Community and the European Free Trade Association (EFTA) countries concerning the emerging European Economic Area will mean legal adaptation to EC accounting directives. Cooperation between the Nordic countries is essential in this development.

France

Recent developments

56. The National Council of Accounting has published standards on the following topics:

(a) Accounting for purchase discrepancy and methods of allocation to tangible and intangible assets;

(b) Specific provisions for certain service sectors, namely:

(i) Open-air hotel trade;

(ii) Lodging;

(iii) French chambers of commerce and industry;

(c) Specific provisions for the public sector, namely:

(i) Public services for the purification of drinking water distribution;

(ii) Civil service;

(iii) Vocational training in agriculture through:

a. University of the Pacific;

b. Teaching centres.

57. The Committee on Banking Regulation has adopted several regulations concerning accounting at credit establishments:

(a) Accounting for swaps;

(b) Publication of annual individual accounts and consolidated accounts;

(c) Periodic publications;

(d) Organization of the accounting system and of data-processing equipment in establishments: solvency ratio;

(e) Modification of the insurance code (in respect of accounting in insurance companies of all types and of capitalization), particularly with respect to measurements of investments and the establishment of consolidated accounts.

58. The Stock Exchange Regulatory Commission has published recommendations on methods for the evaluation of:

(a) Financial assets (short-term and long-term investments in securities);

(b) Intangible assets, in coordination with the standard adopted by the National Council of Accounting.

59. The Commission has also prescribed a new standard of information for bodies issuing commercial paper.

Future developments

60. Various topics are currently under study by the National Council of Accounting. Some are of general scope: accounting for intangible assets, new financial instruments, deferred assessment, currency operations and the conversion of foreign currency accounts. Others concern the accounting arrangements of professional sectors (accounting plan for television networks) or of specific contracts (contract for the provision of public service; trust contract).

61. Moreover, the National Council of Accounting is reviewing the extent to which the French system is in conformity with the exposure draft published recently by the International Accounting Standards Committee on research and development costs and with International Accounting Standard No. 31, Financial reporting of interests in joint ventures.

62. Lastly, the review of management accounting is being continued, as well as adaptation of the accounting system for small- and medium-sized enterprises and a working group has been established to study procedures involved in the computerization of accounting, particularly the breakdown of data.

Gabon

63. New legal requirements governing corporate accounting and reporting were adopted.

64. Accelerated depreciation: the 1990 Finance Act introduced into the Code Général des Impôts (General Tax Code) the option of accelerated depreciation for any enterprise in Gabon not engaged or trading in services.

65. This procedure requires prior government authorization and can be put into effect only if the plant or equipment:

(a) Is new;

(b) Has been acquired after 1 January 1990;

(c) Is tax depreciable over a period of at least three years;

(d) Has been appraised at a minimum value of 10 million CFA francs;

(e) Is used by certain enterprises.

The objective is to shorten the depreciation period by one year.

66. A Plan Comptable des Collectivités Locales (Local Community Accounting Chart) is being prepared by the Treasury, under the supervision of the Comité national du plan comptable général de l'Etat (National Commission for the State Accounting Chart). Efforts are under way within the Customs and Economic Union of Central Africa (UDEAC) to draw up a Sectoral Insurance Accounting Chart (Plan comptable sectoriel des assurances).

Germany

67. Germany adopted the following new legal requirements governing enterprise accounting during 1990-1991:

(a) Act Concerning the Opening of a Balance Sheet in deutsche mark and Concerning Capital Revaluation (D-Markbilanzgesetz (DMBILG)) of 23 September 1990 (Federal Law Gazette II, pp. 885, 1169) in the version promulgated on 18 August 1991 (Federal Law Gazette I, p. 971). This Act obliges all enterprises with their seat or with a branch in the former territory of the German Democratic Republic to draw up an opening balance sheet in deutsche mark for 1 July 1990 in compliance with accounting standards as laid down by the Fourth EC Directive on Company Law;

(b) Act on the Settlement of Open Property Questions (Vermögensgesetz (VermG)) of 23 September 1990 (Federal Law Gazette 1990, II, pp. 885, 1159) in the version promulgated on 18 April 1991 (Federal Law Gazette I, p. 957). This Act regulates restitution of enterprises and other assets unlawfully expropriated in the former German Democratic Republic between 1933 and 1945 and between 1949 and 1990. The Act is of substantial importance for accounting because it prescribes the drawing up of a special restitution financial statement in the event of restitution of an enterprise. In particular, it is the provisions of the D-Markbilanzgesetz that have to be applied to this financial statement;

(c) The Act of 30 November 1990 on bank accounting (Federal Law Gazette I, p. 2570). This Act entered into force on 1 January 1991 and serves the purpose of bringing German law into line with the EC Directive on the annual accounts and consolidated accounts of banks and other financial institutions. The new provisions are to be applied for the first time to the

annual accounts and consolidated accounts of credit institutions for the financial years beginning after 31 December 1992. Regulations are being considered concerning the rules to be observed by credit institutions in respect of the forms they draw up. These regulations serve the purpose of further adjustment of German law to the EC Directive on the annual accounts and consolidated accounts of banks and other financial institutions.

Hungary

68. The Government of Hungary modernized its accounting system in accordance with the directives of the European Community. The preparatory work began in 1989 and the new Act on Accounting will come into force in 1992. For the years 1990 and 1991 the Ministry of Finance decided not to give out new guidelines since the new accounting system would be very different from the present one.

69. In 1992, the Ministry of Finance will require the same financial statements as in the previous year, that is, the balance sheet and income statement from companies using the double-entry bookkeeping technique. In the year-end report the enterprises will be asked to disclose additional information such as capital structure, investments and tangible assets and main categories of expenses.

70. The background and intent of the new accounting law was presented in the 1991 report prepared by the Secretary-General reviewing important current developments at the national level in the field of accounting and reporting by transnational corporations (E/C.10/AC.3/1991/3), which was considered by the Working Group at its ninth session. The Act on Accounting, which comes into effect 1 January 1992, applies to all business enterprises (including financial institutions and insurance companies), budgetary organizations, social organizations and the National Bank of Hungary. The Act has authorized a consultative advisory body, the National Accounting Board, which will continue to develop the theory and applied methodology of accounting, enforce the accounting principles contained in the Act and facilitate implementation of the Act. The reliability of accounting information is guaranteed by the Act through the mandatory audit requirement. The new bill amending the Penal Code and the Act on Petty Offences will guarantee the accountability and liability of those issuing false data or information not in line with the Act for the material or moral damage caused by published or unpublished data. The preamble of the Act also makes it clear that Hungary intends to develop a new national economic information system that is independent of the accounting information system.

71. In addition, the Act on Entrepreneurs' Profit Taxation will have to be revised so that profit taxation is based on the financial results presented in accordance with the accounting law and verified by an auditor. Attempts will be made to reduce the differences between accounting and the tax laws by modifying the system of taxation.

India

72. A new Accounting Standard on Accounting for the Government Grants has been issued by the Institute of Chartered Accountants of India. The Standard supersedes an earlier statement issued by the Institute on the subject. This Standard will be a recommended standard from 1 April 1992 and will be mandatory from 1 April 1994.

73. The Institute of Chartered Accountants of India has decided to make nine accounting standards mandatory. The mandatory nature of an accounting standard implies that it will be the duty of the members of the Institute, while discharging their attestative function, to report any deviation from the Standard. The list of accounting standards issued by the Institute so far shows the authoritative status of each, that is, whether it is mandatory or recommended (see table).

74. The Institute of Chartered Accountants of India has also issued several statements of auditing and statements on accounting that have to be complied with to ensure that financial statements are prepared in accordance with generally accepted accounting standards. In a situation where certain matters are covered both by a statement and by an accounting standard, the statement prevails until such time as the relevant accounting standard/statement on auditing/statement on accounting becomes mandatory.

75. The following statements on accounting were issued by the Institute of Chartered Accountants of India:

(a) Statement on the Amendments to Schedule VI to the Companies Act, 1956;

(b) Statement on the Treatment of Retirement Gratuity in Accounts;

(c) Statement on Treatment of Interest on Deferred Payments.

76. The following statements on auditing were issued by the Institute of Chartered Accountants of India:

(a) Statement on Auditing Practices;

(b) Statement on Qualifications in Auditor's Report;

(c) Statement on the Manufacturing and Other Companies (Auditor's Report), Order 1988 (issued under Section 227 [4A] of the Companies Act, 1956);

(d) Statement on the Responsibility of Joint Auditors;

(e) Statement on Payments to Auditors for Other Services.

Accounting standards issued by the Institute of Chartered Accountants of India, as of 31 August 1991

Number	Title	Mandatory in respect of accounts for periods beginning on or after
	Mandatory Accounting Standards	
AS-1	Disclosure of Accounting Policies	1 April 1991
AS-4	Contingencies and Events Occurring After the Balance Sheet Date	1 January 1987
AS-5	Prior Period and Extraordinary Items and Changes in Accounting Policies	1 January 1987
AS-7	Accounting for Construction Contracts	1 April 1991
AS-8	Accounting for Research and Development	1 April 1991
AS-9	Revenue Recognition	1 April 1991
AS-10	Accounting for Fixed Assets	1 April 1991
AS-11	Accounting for the Effects of Changes in Foreign Exchange Rates	1 April 1994
AS-12	Accounting for Government Grants	1 April 1994
	Recommended Accounting Standards	
AS-2	Valuation of Inventories	
AS-3	Changes in Financial Position	
AS-6	Depreciation Accounting	

77. The Accounting Standards Board of the Institute of Chartered Accountants of India is currently developing accounting standards on the following subjects:

(a) Accounting for retirement benefits in the financial statements of employers;

(b) Accounting for amalgamation;

(c) Accounting for investments;

(d) Reporting financial information by segments.

Japan

78. According to the amendment of the ministerial ordinance of the Securities and Exchange Law on 25 December 1990, annual reports and registration statements have the obligation to make the disclosures given below.

79. The measures under (1), (2) and (3) below should be effective for fiscal periods (years) beginning on or after 1 April 1991 and the measures under (4) for fiscal periods ending on or after 1 March 1991.

Enhancement of reporting of related-party transactions

80. With respect to reporting of related-party transactions, the scope of related-party disclosure requirements has been expanded so as to include a company's transactions with its affiliated companies, major shareholders (holding 10 per cent of shares or more) and any other important related-parties, in addition to transactions with its parent company and with its directors that are currently disclosed. Under the new rule, the nature of the relationships, description of the transactions and the amounts and terms of transactions, among other matters, have to be disclosed as well.

Disclosure of the consolidated financial statement in the primary annual statement

81. With respect to the consolidated statement required by the Securities and Exchange Law, the rule has been amended so that the consolidated financial statement is disclosed in the primary annual statement instead of being attached.

Inclusion of sales amounts by major customers in the unconsolidated financial report

82. The disclosure requirements on the unconsolidated financial report have been amended to include sales amount to each major customer, defined as a customer accounting for 10 per cent or more of total revenue.

Disclosure of market value of marketable securities held, futures and option transactions

83. The disclosure requirements for the unconsolidated financial reports have been amended to include various financial instruments:

(a) Futures and option transactions: value of unsettled contracts in connection with listed securities and financial futures transactions, balance-sheet value of options in connection with listed securities and financial option transactions, and market value as well as margin, profit and loss of such transactions;

(b) Marketable securities: balance-sheet value and market value as well as value of profit and loss in connection with marketable securities.

Future developments

84. The Business Accounting Deliberation Council, an advisory body to the Minister of Finance, establishes financial accounting standards for business enterprises and auditing standards, which serve as guides for the preparation of financial statements and for the audit by a certified public accountant. The members of the Council are professors, certified public accountants, government officials and representatives of business and industry, all of whom are appointed by the Minister of Finance. In this sense, one could say that the financial accounting standards of Japan are set in the public sector.

85. No specific accounting and reporting issues are being considered at the moment. However, it should be noted that the first discussions about a multijurisdictional disclosure system commenced in April 1991 between the Japanese Ministry of Finance and the United States Securities and Exchange Commission.

Kenya

86. There have been no changes to the legal reporting requirements since 1990. However, the Central Bank of Kenya is in the process of issuing guidelines on the presentation of annual accounts for banks and financial institutions.

87. The following accounting standards were issued by the Institute of Certified Public Accounts of Kenya (ICPAK) for implementation from 1990:

KAS 15 Related-party transactions

KAS 16 Revenue recognition

KAS 17 Accounting for property, plant and equipment

These standards are broadly in conformity with the relevant international accounting standards.

88. ICPAK is currently considering the following accounting and reporting issues:

(a) Exposure draft for revaluation of fixed assets;

(b) Review of the Companies Act;

(c) Specimen accounts;

(d) Preparation of a Kenya accounting standard check-list;

(e) Review of proposed guidelines issued by the Central Bank of Kenya on the format of accounts for banks and financial institutions.

Liechtenstein

89. No new accounting requirements were introduced during the 1990-1991 period. However, introduction of the principle of true and fair view and adaptation to the standards of the EC Directives are being considered.

90. Liechtenstein is planning to use the Conclusions of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) in a full-scale revision of its accounting standards, which is to start shortly. The Conclusions will be circulated widely among the competent authorities, representatives of the business community and labour organizations. When the Agreement on the European Economic Area is concluded, it will lead to full access to the internal market of the Economic Community. As a consequence, accounting standards would be fully adapted to EC standards.

Malawi

91. During 1990 and 1991 the Society of Accountants, Malawi's standard-setting body, adopted the following international accounting standards:

1148 27 Consolidated financial statements and accounting for investment in subsidiaries

1148 28 Accounting for investment in associates

1148 29 Financial reporting in hyperinflationary economies

1148 30 Disclosures in the financial statements of banks and similar financial institutions

92. The following standards are under consideration:

(a) IAS 31. Financial reporting of interests in joint ventures;

(b) An annual cash flow statement between Government and parastatals;

(c) Definition of the treatment of the benefits-in-kind tax, after the introduction of a tax on employee benefits payable by the employer;

(d) A framework for the preparation and presentation of financial statements.

Malaysia

93. Legal requirements on reporting and accounting disclosures for corporations are stipulated in the Malaysian Companies Act of 1965 and its Ninth Schedule. There were no major changes in the requirement during 1990 and 1991. Public limited companies are also required to comply with the guidelines issued by the Capital Issues Committee (CIC), a regulatory agency set up by the Minister of Finance under the Securities Industry Act, 1983. CIC guidelines are required each year. New accounting guidelines on the reallocation of assets were issued in 1989 and 1991 for investments, land and buildings, exemptions, intangible assets, plant and machinery.

94. New accounting and auditing standards issued by the Malaysia Institute of Accountants (MIA) in 1990 and 1991 were as follows:

International Accounting Standards		Effective date
IAS 20	Accounting for government grants and disclosure for government assistance	1990
IAS 19	Accounting for retirement benefits in the Financial Statements of Employers	1991
International Auditing Guidelines		
IAG 25	Materiality and audit risk	1990
IAG 26	Audit of accounting estimates	1990
IAG 24	Special-purpose auditor's reports	1991
International Auditing Statements		
	Particular considerations in the audit of small business	1991

95. The following accounting and reporting issues are currently being considered for standard-setting:

(a) Malaysian accounting standard for aquaculture, issued for application with effect from 1 January 1992;

(b) Malaysian accounting standard for general insurance business and Malaysian accounting standard for life insurance business, issued as exposure draft for comment for the period 15 September-31 October 1991 (intended operational date is 1 January 1992);

(c) Malaysian accounting standard on goodwill, issued discussion paper for comment in May 1991. A draft standard is being developed, as well as a guide on accounting for other intangible assets;

(d) Malaysian standard on accounting for property development activities, being developed in draft form;

(e) Technical bulletin on accounting for TSR/warrants, being developed in draft form;

(f) Malaysian standard on accounting for pre-cropping expenses in plantation companies, issued discussion paper in December 1990, with draft standard being developed.

96. The following international accounting standards have been issued as Malaysian exposure drafts for comment (intended operational date in Malaysia is 1 January 1992):

IAS 25 Accounting for investments

IAS 26 Accounting and reporting by retirement benefit plans

IAS 27 Consolidated financial statement and accounting for investments in subsidiaries

IAS 28 Accounting for investments in associates

International Auditing Guidelines (IAG) issued by the International Auditing Practices Committee

97. The following International Auditing Guidelines have been issued as Malaysian exposure drafts for comment:

(a) IAG 29, Inherent and control risk assessments and their impact on substantive procedures, to become operative 1 January 1992;

(b) IAG/Related Services (RS) 3, Engagements to perform agreed-upon procedures, to become operative 1 December 1991;

(c) IAG/Related Services (RS) 4, Engagements to compile financial information.

New Zealand

98. There were no new legal requirements concerning corporate accounting and reporting in New Zealand during 1990 and 1991. It is likely, however, that a new Companies Act will come into effect in 1992; this will have fairly significant implications.

99. The following new statements of standard accounting practice (SSAP) were issued in 1990 and 1991:

SSAP-25. Accounting for interests in joint ventures and partnerships (issued June 1990)

SSAP-26. Accounting for defeasance of debt (issued October 1990)

SSAP-27. Right of set-off (issued October 1990)

SSAP-28. Accounting for fixed assets (issued July 1991)

100. The following revised accounting standards have also been issued:

SSAP-18. Accounting for leases and hire purchase contracts (amended June 1990)

SSAP-8. Accounting for business combinations (amended October 1990)

SSAP-13. Accounting for research and development activities (amended March 1991)

SSAP-12. Accounting for income tax (amended June 1991)

101. The regulation of financial reporting has been under review as part of the Government's Business Law Reform Programme. Particular issues are the need for an independent standard-setting body and the status of accounting standards. Appropriate enforcement of reporting requirements and accounting standards has also been under consideration. It is anticipated that proposals on these and other matters will be published in the near future.

102. The major issues under consideration by the present standard-setting body (the New Zealand Society of Accountants) are the following:

(a) Development of a statement of concepts for financial reporting;

(b) Differential reporting;

(c) Revision of the cash flow statement requirements;

(d) Revision of the accounting standard on extraordinary items and prior-period adjustments;

(e) Review of the form of the audit report.

Nigeria

103. The new accounting standards governing corporate accounting in Nigeria are:

(a) Accounting for employees' retirement benefits (SAS 81);

(b) Accounting by banks and non-bank financial institutions (part I) (SAS 10);

(c) Statement of accounting standard on leases (SAS 11). (As regards legal requirements, there has been no significant change from the provisions of Companies And Allied Matters Decree No. 1, 1990 (as amended) which took effect from 31 December 1990);

(d) Prudential guidelines for licensed banks, issued by the Central Bank of Nigeria. This is a conscious effort to move Nigerian banks towards compliance with international banking practices in the areas of asset classification and disclosure, provisioning interest accounts and off-balance-sheet engagements, and bad and doubtful debts provisioning, among others.

104. The following accounting and reporting issues are being considered for standard-setting in Nigeria:

(a) Accounting for deferred taxes: exposure draft (ED) 12;

(b) Accounting by banks and non-bank financial institutions (part II);

(c) Accounting for investments;

(d) Accounting in the petroleum industry.

Issues (a), (b) and (c) have no exposure draft yet but a working committee on each has been set up.

Norway

105. There have been no significant developments in Norwegian legal requirements or standards governing corporate accounting and reporting during 1990 and 1991. A committee was established by cabinet decision on 16 March 1990 to conduct a general review of Norwegian accounting legislation. This work was to have been completed by the end of 1991. The committee is directed to consider the amendments required in order to harmonize Norwegian accounting legislation with international standards and legislation, in particular the different directives approved by the European Community.

Romania

106. Romania adopted the following new legal requirements and/or standards for corporate accounting and reporting during 1990 and 1991:

(a) Order 54/1990, concerning the new organizational arrangements governing business activities (requiring small undertakings and private profit-making associations to prepare and standardize accounts and to draw up a half-yearly balance sheet);

(b) Decree 201/1990, concerning the implementation of regulations for Order 54/90: rules for the preparation and standardization of accounts, principles governing the structure of accounts, the modern balance sheet, the chart of accounts and accounting entries;

(c) Law 31/1991 governing commercial undertakings: requirement to prepare and disclose the balance sheet and the profit and loss statement;

(d) Decree 945/1990 concerning standards for accounting entries to be applied in respect of the share capital and other assets and liabilities of public corporations and commercial undertakings (changes in the plan of accounts, content and operation of the new accounts, bookkeeping of the operating results, inventory and assessment of the net worth of public undertakings).

107. The following accounting and reporting laws are being considered:

(a) The Accountancy Law, laid before the Parliament, which requires all juridical and physical persons engaging in business to follow standardized accounting procedures; principles governing the accounting, valuation and recording of assets; compulsory record-keeping requirements; rules for the preparation and disclosure of the balance sheet and the profit and loss statement; and responsibilities and penalties;

(b) The draft implementing regulations for the Accountancy Law, prepared in consonance with EC directives in accordance with international standards and due to be adopted once the above-mentioned Law has been enacted;

(c) Preparation of the new Chart of Accounts for use in 1992.

Singapore

108. The Statements of Accounting Standards (SAS) and Provisional Statements of Accounting Standards (PAS) issued by the Institute of Certified Public Accountants (PCPAS) are largely based on the International Accounting Standards issued by the International Accounting Standards Committee (IASC).

109. The following SAS were adopted and issued by ICPA during 1990 and 1991:

	Statement of Accounting Standards	IAS equivalent	Effective date
SAS 26	Consolidated financial statements and accounting for investments in subsidiaries (formerly used as provisional Statement of Accounting Standards (PAS) 13	IAS 27	1 January 1990
SAS 27	Accounting for investments in associates	IAS 28	1 January 1991

Sweden

110. Two major standard-setters issued recommendations and statements during 1990 and 1991 - the Swedish Accounting Standards Board (BFN) and the newly formed Swedish Financial Accounting Standards Council (RR), which was founded in 1989 by BFN, the Swedish Institute of Authorized Public Accountants (FAR) and the Federation of Swedish Industries. RR has taken over FAR's function as a standard-setting accounting body for public companies.

111. The following significant recommendations and statements were issued by the Swedish Accounting Standards Board on:

(a) Reporting financial information by business segment;

(b) Accounting for close-down expenses;

(c) Accounting for production facilities and spare parts;

(d) Disclosure of important matters in the management report;

(e) The correct time for entering trade debtors and trade creditors in the accounts.

112. Significant recommendations were issued by the Swedish Financial Accounting Standards Council on consolidation accounting, to come into effect 1 January 1992.

113. The following accounting issues are under consideration by the Swedish Accounting Standards Board:

(a) Accounting for foreign currency monetary items (revised);

(b) Requirements for the use of electronic data processing (EDP) in accounting systems;

(c) Requirements for keeping accounting materials.

114. The following issues are under consideration by the Swedish Financial Accounting Standards Council:

(a) Valuation of inventories and work in progress;

(b) Accounting for shares and participations;

(c) Accounting for property, plant and equipment;

(d) Accounting for leasing agreements;

(e) Accounting for retirement benefit costs.

Switzerland

115. There were changes in accounting law and accounting recommendations.

116. There was a new law for limited companies (droit des société anonymes). In July 1991 the Swiss Parliament adopted the final version of the new law for limited companies (most businesses in Switzerland are organized under this form and most of the rules, for example, on accounting and reporting, usually also apply to such businesses as partnerships, among others. This law changes, inter alia:

(a) Capital of companies (introduction of authorized capital, capital reserved for issues to employees or for convertible bonds);

(b) Accounting and reporting, with accounting and reporting rules changed in a way that brings them closer to the EC Directives with the major issues being:

(i) The obligation to present consolidated reports (exceptions for smaller companies provide for more restrictions than, for example, the EC Directives); the law does not give detailed guidance for the consolidation rules;

(ii) Evaluation reserves due, for example, to tax laws or other causes, which continue to be an allowed practice. However, in the case of the dissolution of valuation reserves the full amount has to be disclosed in the notes to the financial statements;

(iii) Introduction of notes to the financial statement with disclosure requirements very similar to those of EC (except for segmentation of sales, information on remunerations for directors, among others, and information on repayment schedules for long-term liabilities);

(iv) New rules on the articulation of the balance sheet and the profit and loss statement (the information required, however, does not go as far as the EC Directives);

(c) Transfer restrictions on registered shares for (public) companies, which have been limited and no longer depend on the by-laws of the company or the decisions of the board of directors alone;

(d) Improved protection of minority shareholders through various rules;

(e) Auditing of medium-sized and large companies, which will be limited to professional auditors, the ordinance of the Government of Switzerland defining the requirements. By this the audit function will most probably be limited to members of the Swiss Institute of Public Accountants. It must be noted that even small companies will have to be audited in Switzerland and will not be exempt from auditing as in the European Community and the United States of America. The requirements for auditors responsible for small companies will not be as exacting as those for professional auditors of medium-sized and large companies. (This is very similar to the practice in other EC countries.) In addition, several special audit functions have been introduced in connection with, for example, incorporation of a company, issuance of consolidated reports and issuance of shares.

117. In 1991, the Foundation for Accounting and Reporting Recommendations (ARR) issued FER 3 on leading principles/fundamentals of accounting and FER 5 on valuation rules for consolidated statements. Towards the end of 1991 the effective date for the new law on limited companies and the transition period was to have been defined by the Swiss parliament. Most probably, all these rules will have to be followed starting as early as 1 July 1992. This means that all companies will have to change their by-laws and small and medium-sized companies especially will have to change their accounting and reporting system.

118. The Swiss Accounting Standard Board (FER) issued exposure draft (ED) 6 on cash flow information and was to have issued two further exposure drafts - ED 7 on the format and detail of balance sheets and profit and loss statements and ED 8 on additional disclosure in financial statements - in late 1991. During the summer of 1991, an exposure draft on additional accounting and reporting requirements for listed companies was issued. The majority of comments have been favourable. This draft proposes reporting and accounting rules for listed companies that are in conformity with EC directives but go further than those directives regarding, for example, cash-flow information and valuation rules in consolidated statements. The exposure draft also suggests that a set of rules already defined be issued by the Swiss stock exchange and that such a set of standards should be in conformity not only with EC directives but also with international accounting standards. That set of standards should then be the basis for negotiations on mutual recognition regarding, inter alia, private placements and listings of Swiss companies in other countries.

119. As is well known, Switzerland is part of the European Free Trade Association and is negotiating the treaty on the European Economic Area. If this proposal goes through or if, as a consequence of a negative outcome of the negotiations, Switzerland decides to join the European Community, the basis for further harmonization in Europe will be laid. However, it should be noted that Swiss accounting and reporting, owing to the changes in the law for limited companies and the issuance of ARR/FER, will now be at least similar to EC Directives and in fact, as proposed, should be in conformity with those Directives regarding listed companies.

Thailand

120. The accounting profession in Thailand is guided by Accountancy Law B.E.2515 and Auditor Act B.E.2505. The Accountancy Law upgraded the accounting system in order to support economic development in Thailand. The Auditor Act set auditor qualifications and standards.

121. There are three important agencies concerned with the accounting profession:

(a) The Business Accounting Division, a division within the Department of Commercial Registration, Ministry of Commerce, whose major responsibility is to administer the two acts mentioned above;

(b) The Board of Supervision of Auditing Practices (BSAP), with its office within the Business Accounting Division of the Ministry of Commerce, and which, under the Auditor Act, was set up to administer such matters concerning auditors as:

(i) Registering and issuing a licence to an authorized auditor;

(ii) Ordering a suspension or revocation of an authorized auditor's licence;

(iii) Issuing regulations laying down the principles and procedures for application for, and issuance and renewal of, an authorized auditor's licence;

(c) The Institute of Certified Accountants and Auditors of Thailand (ICAAT), which, incorporated in 1948, is the official professional body representing the accountants and auditors of Thailand. Currently, it has a total of 1,800 members.

122. During the 1990-1991 period, new legal requirements were issued in the Announcement of the Department of Commercial Registration No. 17 (AC.1991), which prescribes types of supporting documents for accounting entries.

123. The following nine statements of financial accounting standards were also issued:

No.	Title	Effective date
14	Accounting for Research and Development Activities	1 January 1990
15	Capitalization of Financial Expenses	1 January 1990
16	Current Assets and Current Liabilities	1 January 1990
17	Accounting for Investments	31 December 1991
18	Accounting for Investments in Subsidiaries and Affiliated Companies	31 December 1991
19	Consolidated Financial Statements	31 December 1991
20	Accounting for Business Combinations	31 December 1991
21	Contingencies and Events Occurring After the Balance-Sheet Date	31 December 1991
22	Accounting for Inventories	31 December 1991

124. By end-1991, there were 17 exposure drafts outstanding:

No.	Title	Effective date
9	Accounting for Development Stage Corporation	16 June 1979
10	Accounting for Provident Fund and Retirement Benefit	16 June 1979
13	Accounting for the Translation of Foreign Currency	28 June 1986
12	Accounting for Income Appropriation	16 June 1979
14	Interim Financial Statements	16 June 1979
17	Troubled Debt Restructuring	28 June 1980
18	Accounting for Income Taxes	28 June 1980
23	Statement of Changes in Financial Position	25 April 1981
24	Liabilities Reacquisition Prior to Maturity	25 April 1981
25	Classification of Short-term Liabilities Expected to be Converted to Long-Term	25 April 1981
26	Accounting for Non-Monetary Items	25 April 1981
28	Presentation of Effects of Changing Prices in Financial Reporting	30 January 1982

No.	Title	Effective date
30	Accounting for Government Grants and Subsidies	6 November 1982
31	Accounting for Long-Term Leasing	6 November 1982
32	Accounting for Disclosure of Long-Term Contingent Liabilities	6 November 1982
33	Accounting for Financing Arrangement	6 November 1982
-	Statement of Cash Flows	6 August 1988

Tonga

125. There were no new legal requirements or standards for corporate accounting during 1989-1990. However, Tonga follows closely the standards set by the New Zealand Society of Accountants on International Standards.

Turkey

126. The Commercial Law does not specify accounting principles, and so practical application is in accordance with the tax law. Since commercial financial statements are required to agree with the books, they generally omit provisions and accruals not permitted for tax purposes, such as doubtful debts, inventory obsolescence and earned employee termination benefits.

127. In January 1989, the Capital Market Board issued comprehensive accounting regulations that would be applicable to companies listed on capital markets from fiscal year 1989. These regulations are generally close to international accounting standards, with the notable exception of excluding consolidation and equity accounting. The regulations recognize the need to maintain the books in accordance with the tax law, and therefore adjustments are to be made through disallowable expense accounts where necessary. The underlying principles of consistency, prudence, accruals, going concern, materiality and fair presentation are emphasized. Where the regulations do not provide guidance on accounting treatment, either industry practice, if applicable, or international accounting standards are to be followed.

128. The Expert Accountants Association of Turkey (TMUD) published accounting standards in the 1970s, which were, however, largely ignored because they had no authority. The new Independent Audit Association (BDD) has not issued pronouncements, and in the context of the present regulatory environment, it is unlikely that such pronouncements would be any more effective than those of TMUD.

Union of Soviet Socialist Republics (USSR) 1/

129. In 1990-1991, the following new accounting standards were issued in the USSR (in addition to those indicated in the information provided previously for 1989-1990):

(a) Accounting and reporting by enterprises, associations and organizations (USSR Ministry of Finance, 12 October 1990). New methods of quarterly accounting and reporting (balance sheet, report on financial results and their utilization) were established for 1991 as well as a system for their compilation. A feature of these methods is the requirement that they be used by enterprises of all sectors of the national economy and all types of ownership (except for joint enterprises with foreign participation, banks and insurance organizations); the objective is to achieve the fullest possible description of a given enterprises's holdings and financial situation;

(b) Unified norms for amortized transfer to replenish the capital assets of the national economy of the USSR (USSR Council of Ministers, 22 October 1990);

(c) Regulations on the system for charging amortized deductions to capital assets in the national economy (USSR State Plan, USSR Ministry of Finance and others, 29 December 1990). New norms were established for amortized transfers to replenish capital assets, as well as a system for making those transfers; provision has been made for the possibility of accelerated amortization;

(d) Provisional methodology for assessing the value of the holdings of State enterprises and organizations to be redeemed or sold (USSR Ministry of Finance, USSR State Plan, USSR State Bank, USSR State Committee on Statistics, USSR Ministry of Justice, 29 November 1990). Methods and a system have been established for assessing the value of the holdings of State enterprises and organizations as a point of departure for determining the amount of redemption and defining its results when the holdings are redeemed by members of a labour collective, sold to other parties or auctioned;

(e) Basic provisions to determine the expenses to be included in the cost price of products (labour, services) at enterprises of the USSR (USSR State Plan, USSR Ministry of Finance, USSR State Committee on Prices and USSR State Committee on Statistics, 30 November 1990). In accordance with the new law of the USSR concerning taxes on enterprises, associations and organizations, the fullest possible list of expenses has been established (i) for inclusion in the cost price of products (labour, services) and (ii) applicable for the calculation of profits and losses written off against net profit;

(f) Specific methods of calculating the cost price of products (labour, services) at joint enterprises established in the territory of the USSR (USSR Ministry of Finance, 29 December 1990). Specific methods have been developed for calculating the cost price of products (labour, services) at joint enterprises with foreign participation, linked with the specific activities of

these types of enterprises. At the same time, radical changes have been made in the system for calculating the equity and profits of enterprises;

(g) The scope and methods of annual accounting and reporting in enterprises, associations and organizations for 1991 (USSR Ministry of Finance, 17 June 1991). New methods of annual accounting and reporting have been established (balance sheet, report on financial results and their utilization, report on the state of the holdings of the enterprise, report on the availability and movement of resources of the enterprise) for enterprises of all sectors of the national economy and all forms of ownership (except for joint enterprises with foreign participation, banks and insurance organizations), drawn up on principles compatible with those accepted in international practice;

(h) Recommendations with regard to accounting and the use of account books in small enterprises (USSR Ministry of Finance, 1 July 1991). A simplified system for accounting at small enterprises has been proposed.

130. The USSR completed the modernization of its chart of accounts using international accounting standards as far as possible. The modernization was approved for use by all enterprises by the USSR Ministry of Finance. Supplementary financial statements including a balance sheet and an income statement were also approved. It will be disseminated to all Republics and some have expressed interest in taking it over in order to speed their transition to a market economy. This new chart will make it possible for Soviet and foreign entrepreneurs to report their financial results according to Western accounting principles. This means that it will be possible to determine more easily the profitability of Soviet enterprises. The revision of the chart of accounts is only a first step. Detailed standards and guidance must be formulated for intangible assets, financial instruments, depreciation, inflation, leasing and foreign-currency translation.

United Arab Emirates

131. No new legal requirements and/or standards governing corporate accounting and reporting in the United Arab Emirates occurred during 1990 and 1991. There is a draft law under consideration organizing the work of auditors in the private sector. The main issue in this draft concerns which persons are eligible to be registered and licensed as auditors and the nature of their duties and rights. A joint committee was set up by States of the Cooperation Council for the Arab States of the Gulf (GCC) to prepare unified accounting standards.

United Kingdom of Great Britain and Northern Ireland

132. The accounting requirements of the Companies Act 1989 came into force for financial years ending on or after 31 December 1990. These requirements extend the statutory definition of a subsidiary undertaking and require large companies to state whether or not they have complied with accounting standards that remain non-statutory. In addition, provision was made for listed companies to send only summary financial statements to their shareholders instead of the full accounts.

133. The new requirements for qualifying and supervisory bodies for auditors introduced by the 1989 Act came into force in October 1991. In particular, new arrangements were introduced for monitoring the work of auditors by the supervisory bodies.

134. The following accounting standards were issued in 1990:

SSAP 25 Segmental reporting; requires large companies to provide segment information by geographical area and by class of business

SSAP 4 (Revised). The accounting treatment of government grants

135. An interim standard was issued by the Accounting Standards Board on interpretation of the new statutory definition of a subsidiary undertaking and other changes required as a result of the 1989 Act.

136. The following accounting standard was issued in 1991:

FRS 1 Cash flow statements, superseding the previous standard on sources and application of funds

137. The current work programme of the Accounting Standards Board includes:

(a) Completion of the work already started on a Statement of Principles, the various chapters of which will assist the Board in dealing with accounting issues and provide guidance to preparers on the interpretation of financial reporting standards;

(b) A proposed standard on off-balance-sheet finance;

(c) A proposed standard on consolidations;

(d) A proposed exposure draft on the structure of financial statements, particularly the reporting of financial performance and the information contained in the profit and loss account;

(e) A proposed exposure draft on the valuation of assets in the balance sheet;

(f) A proposed exposure draft addressing the classification and treatment of capital that is a hybrid of debt and equity.

138. Once the above have been dealt with, the attention of the Board will turn to outstanding exposure drafts issued by the predecessor body covering accounting for goodwill, accounting for intangible assets, accounting for acquisitions and mergers, and fair value in the context of acquisition accounting.

139. In addition, each of the technical or research committees of the various accountancy bodies were reviewing a range of existing standards issued by the predecessor body with a view to reporting by the end of 1991 on any problems that were being experienced in practice.

140. Finally, it is hoped that the Board will be able to find room in its programme in the coming year for consideration of an innovative project that could serve to improve the quality of fianncial reporting in a wider sense. Two possible topics for such a project are: (a) management discussion and analysis and (b) historical summaries.

United States of America

141. The Financial Accounting Standards Board (FASB), the Securities and Exchange Commission (SEC) and the American Institute of Certified Public Accountants (AICPA) are primary sources of accounting guidance in the United States of America. FASB issued two statements of financial accounting standards in 1990 and 1991. Their titles, with summaries, are as follows:

(a) Statement of Financial Accounting Standards No. 105, Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instuments with Concentrations of Credit Risk. (A summary is contained in document E/C.10/AC.3/1992/2.);

(b) Statement of Financial Accounting Standards No. 106, Employers' Accounting for Post-Retirement Benefits Other Than Pensions, which establishes accounting standards for employers accounting for post-retirement benefits other than pensions. Although it applies to all forms of post-retirement benefits, this Statement focuses principally on post-retirement health-care benefits. It will significantly change the prevalent current practice of accounting for post-retirement benefits on a pay-as-you-go (cash) basis by requiring accrual, during the years that the employee renders the necessary service, of the expected cost of providing those benefits to an employee and the employee's beneficiaries and covered dependents.

142. The Board's conclusions in this Statement result from the view that a defined post-retirement benefit plan sets forth the terms of an exchange between the employer and the employee. In exchange for the current services provided by the employee, the employer promises to provide, in addition to current wages and other benefits, health and other welfare benefits after the

employee retires. It follows from that view that post-retirement benefits are not gratuities but part of an employee's compensation for services rendered. Since payment is deferrred, the benefits are a type of deferred compensation. The employer's obligation for that compensation is incurred as employees render the services necessary to earn their post-retirement benefits.

143. The ability to measure the obligation for post-retirement health-care benefits and the recognition of that obligation have been the subject of controversy. The Board believes that measurement of the obligation and accrual of the cost based on best estimates are superior to implying, by a failure to accrue, that no obligation exists prior to the payment of benefits. The Board also believes that failure to recognize an obligation prior to its payment impairs the usefulness and integrity of the employer's financial statements.

Future development

144. FASB agenda projects included the following as of 1 October 1991:

Consolidation and related matters:

Policy and procedures;

New basis;

Financial instruments:

Disclosures;

Liabilities and equity;

Recognition and measures (including hedging);

Additional active issues:

Impairment of a loan;

Investments with prepayment risk;

Marketable securities;

Offsetting of swaps, forwards and similar contracts;

Pension plan accounting for guaranteed investment contracts (GICs);

Impairment of assets;

Income taxes: Deferral of Statement 96;

Not-for-profit organizations;

Present-value-based accounting;

Reinsurance arrangements;

Stock compensation plans.

145. The American Institute of Certified Public Accountants issues accounting guidance in the form of Statements of Position (SOP). Following is a list of SOPs issued in 1990 and 1991:

90-1 Accountants' Services on Prospective Financial Statements for Internal Use Only and Partial Presentations

90-2 Report on the Internal Control Structure in Audits of Futures Commission Merchants

90-3 Definition of the Term Substantially the Same for Holders of Debt Instruments, as Used in Certain Audit Guides and a Statement of Position

90-4 Auditors' Reports Under United States Department of Housing and Urban Development's (HUD) Audit Guide for Mortgages Having HUD-Insured or Secretary-Held Multifamily Mortgages

90-5 Inquiries of Representatives of Financial Institution Regulatory Agencies

90-6 Directors' Examinations of Banks

90-7 Financial Reporting by Entities in Reorganization Under the Bankruptcy Code

90-8 Financial Accounting and Reporting by Continuing Care Retirement Communities

90-9 The Auditor's Consideration of the Internal Control Structure Used in Administering Federal Financial Assistance Programs Under the Single Audit Act

90-10 Reports on Audited Financial Statements of Property and Liability Insurance Companies

90-11 Disclosure of Certain Information by Financial Institutions about Debt Securities Held as Assets

146. The Securities and Exchange Commission issues accounting guidance in two forms: (1) financial reporting releases and (2) staff accounting bulletins (SAB). The following financial reporting release was issued in 1991: Financial Reporting Release No. 37, Acceptability in Financial Statements of an Accounting Standard Permitting the Return of a Non-accrual Loan to Accrual Status after a Partial Charge-off.

147. The following SABs were issued in 1990 and 1991:

SAB 88 Disclosures Required of Companies Complying with Item 17 of Form 20-F, which relates to reconciliation of financial measurements and disclosures in financial statements prepared on a comprehensive basis of accounting other than that of generally accepted United States accounting principles

SAB 89 Financial Statements of Acquired Troubled Financial Institutions

SAB 90 Bankruptcy of an Accounting Firm that Had Public Company Clients

SAB 91 Accounting for Income Tax Benefits of Bad Debts of Thrifts

Zimbabwe

148. Zimbabwe is a member of the International Accounting Standards Committee and has adopted all International Accounting Standards (except 6, 27 and 28).

149. IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, was adopted for use in Zimbabwe. The requirements of IAS 30 are stricter than those of the Zimbabwe Companies Act. Should a bank fail to comply with the requirements of the accounting standard, that bank must disclose such a failure to comply.

150. Matters under consideration include the comparability of financial statements as between different countries, cash flow statements and possible amendment of the Zimbabwe Companies Act. Matters being considered for research include accounting for foreign loans, livestock valuation, plantation cropping, the treatment of fixed and current mining assets, and revaluation of assets.

Notes

1/ The Union of Soviet Socialist Republics was officially dissolved on 21 December 1991.